

**AMENDMENT IN THE NATURE OF A SUBSTITUTE  
OFFERED BY MR. RANGEL OF NEW YORK**

Strike all after the enacting clause and insert the  
following:

**1 SECTION 1. SHORT TITLE; AMENDMENT OF 1986 CODE;**

**2 TABLE OF CONTENTS.**

**3 (a) SHORT TITLE.**—This Act may be cited as the  
**4 “Tax Collection Responsibility Act of 2007”.**

**5 (b) AMENDMENT OF 1986 CODE.**—Except as other-  
**6 wise expressly provided, whenever in this Act an amend-**  
**7 ment or repeal is expressed in terms of an amendment**  
**8 to, or repeal of, a section or other provision, the reference**  
**9 shall be considered to be made to a section or other provi-**  
**10 sion of the Internal Revenue Code of 1986.**

**11 (c) TABLE OF CONTENTS.**—The table of contents of  
**12 this Act is as follows:**

Sec. 1. Short title; amendment of 1986 Code; table of contents.

Sec. 2. Repeal of authority to enter into private debt collection contracts.

Sec. 3. Delay of application of withholding requirement on certain governmental  
payments for goods and services.

Sec. 4. Clarification of entitlement of Virgin Islands residents to protections of  
limitations on assessment and collection of tax.

Sec. 5. Revision of tax rules on expatriation.

Sec. 6. Repeal of suspension of certain penalties and interest.

Sec. 7. Increase in information return penalties.

Sec. 8. Time for payment of corporate estimated taxes.

1   **SEC. 2. REPEAL OF AUTHORITY TO ENTER INTO PRIVATE**  
2                   **DEBT COLLECTION CONTRACTS.**

3           (a) IN GENERAL.—Subchapter A of chapter 64 is  
4 amended by striking section 6306.

5           (b) CONFORMING AMENDMENTS.—

6               (1) Subchapter B of chapter 76 is amended by  
7 striking section 7433A.

8               (2) Section 7811 is amended by striking sub-  
9 section (g).

10              (3) Section 1203 of the Internal Revenue Serv-  
11 ice Restructuring Act of 1998 is amended by strik-  
12 ing subsection (e).

13              (4) The table of sections for subchapter A of  
14 chapter 64 is amended by striking the item relating  
15 to section 6306.

16              (5) The table of sections for subchapter B of  
17 chapter 76 is amended by striking the item relating  
18 to section 7433A.

19           (c) EFFECTIVE DATE.—

20               (1) IN GENERAL.—Except as otherwise pro-  
21 vided in this subsection, the amendments made by  
22 this section shall take effect on the date of the en-  
23 actment of this Act.

24               (2) EXCEPTION FOR EXISTING CONTRACTS,  
25 ETC.—The amendments made by this section shall  
26 not apply to any contract which was entered into be-

1 fore July 18, 2007, and is not renewed or extended  
2 on or after such date.

3 (3) UNAUTHORIZED CONTRACTS AND EXTEN-  
4 SIONS TREATED AS VOID.—Any qualified tax collec-  
5 tion contract (as defined in section 6306 of the In-  
6 ternal Revenue Code of 1986, as in effect before its  
7 repeal) which is entered into on or after July 18,  
8 2007, and any extension or renewal on or after such  
9 date of any qualified tax collection contract (as so  
10 defined) shall be void.

11 **SEC. 3. DELAY OF APPLICATION OF WITHHOLDING RE-**  
12 **QUIREMENT ON CERTAIN GOVERNMENTAL**  
13 **PAYMENTS FOR GOODS AND SERVICES.**

14 (a) IN GENERAL.—Subsection (b) of section 511 of  
15 the Tax Increase Prevention and Reconciliation Act of  
16 2005 is amended by striking “December 31, 2010” and  
17 inserting “December 31, 2011”.

18 (b) REPORT TO CONGRESS.—Not later than 6  
19 months after the date of the enactment of this Act, the  
20 Secretary of the Treasury shall submit to the Committee  
21 on Ways and Means of the House of Representatives and  
22 the Committee on Finance of the Senate a report with  
23 respect to the withholding requirements of section 3402(t)  
24 of the Internal Revenue Code of 1986, including a detailed  
25 analysis of—

1 (1) the problems, if any, which are anticipated  
2 in administering and complying with such require-  
3 ments,

4 (2) the burdens, if any, that such requirements  
5 will place on governments and businesses (taking  
6 into account such mechanisms as may be necessary  
7 to administer such requirements), and

8 (3) the application of such requirements to  
9 small expenditures for services and goods by govern-  
10 ments.

11 **SEC. 4. CLARIFICATION OF ENTITLEMENT OF VIRGIN IS-**  
12 **LANDS RESIDENTS TO PROTECTIONS OF LIM-**  
13 **ITATIONS ON ASSESSMENT AND COLLECTION**  
14 **OF TAX.**

15 (a) IN GENERAL.—Subsection (c) of section 932 (re-  
16 lating to treatment of Virgin Islands residents) is amended  
17 by adding at the end the following new paragraph:

18 “(5) TREATMENT OF INCOME TAX RETURN  
19 FILED WITH VIRGIN ISLANDS.—An income tax re-  
20 turn filed with the Virgin Islands by an individual  
21 claiming to be described in paragraph (1) for the  
22 taxable year shall be treated for purposes of subtitle  
23 F in the same manner as if such return were an in-  
24 come tax return filed with the United States for  
25 such taxable year. The preceding sentence shall not

1       apply where such return is false or fraudulent with  
2       the intent to avoid tax or otherwise is a willful at-  
3       tempt in any manner to defeat or evade tax.”.

4       (b) **EFFECTIVE DATE.**—The amendment made by  
5 this section shall apply to taxable years beginning after  
6 1986.

7       **SEC. 5. REVISION OF TAX RULES ON EXPATRIATION.**

8       (a) **IN GENERAL.**—Subpart A of part II of sub-  
9 chapter N of chapter 1 is amended by inserting after sec-  
10 tion 877 the following new section:

11       **“SEC. 877A. TAX RESPONSIBILITIES OF EXPATRIATION.**

12       “(a) **GENERAL RULES.**—For purposes of this sub-  
13 title—

14               “(1) **MARK TO MARKET.**—All property of a cov-  
15 ered expatriate shall be treated as sold on the day  
16 before the expatriation date for its fair market  
17 value.

18               “(2) **RECOGNITION OF GAIN OR LOSS.**—In the  
19 case of any sale under paragraph (1)—

20                       “(A) notwithstanding any other provision  
21 of this title, any gain arising from such sale  
22 shall be taken into account for the taxable year  
23 of the sale, and

24                       “(B) any loss arising from such sale shall  
25 be taken into account for the taxable year of

1           the sale to the extent otherwise provided by this  
2           title, except that section 1091 shall not apply to  
3           any such loss.

4           Proper adjustment shall be made in the amount of  
5           any gain or loss subsequently realized for gain or  
6           loss taken into account under the preceding sen-  
7           tence, determined without regard to paragraph (3).

8           “(3) EXCLUSION FOR CERTAIN GAIN.—

9                   “(A) IN GENERAL.—The amount which  
10           would (but for this paragraph) be includible in  
11           the gross income of any individual by reason of  
12           paragraph (1) shall be reduced (but not below  
13           zero) by \$600,000.

14           “(B) ADJUSTMENT FOR INFLATION.—

15                   “(i) IN GENERAL.—In the case of any  
16           taxable year beginning in a calendar year  
17           after 2008, the dollar amount in subpara-  
18           graph (A) shall be increased by an amount  
19           equal to—

20                           “(I) such dollar amount, multi-  
21                           plied by

22                           “(II) the cost-of-living adjust-  
23                           ment determined under section 1(f)(3)  
24                           for the calendar year in which the tax-  
25                           able year begins, by substituting ‘cal-

1                   endar year 2007’ for ‘calendar year  
2                   1992’ in subparagraph (B) thereof.

3                   “(ii) ROUNDING.—If any amount as  
4                   adjusted under clause (i) is not a multiple  
5                   of \$1,000, such amount shall be rounded  
6                   to the nearest multiple of \$1,000.

7                   “(b) ELECTION TO DEFER TAX.—

8                   “(1) IN GENERAL.—If the taxpayer elects the  
9                   application of this subsection with respect to any  
10                  property treated as sold by reason of subsection (a),  
11                  the time for payment of the additional tax attrib-  
12                  utable to such property shall be extended until the  
13                  due date of the return for the taxable year in which  
14                  such property is disposed of (or, in the case of prop-  
15                  erty disposed of in a transaction in which gain is not  
16                  recognized in whole or in part, until such other date  
17                  as the Secretary may prescribe).

18                  “(2) DETERMINATION OF TAX WITH RESPECT  
19                  TO PROPERTY.—For purposes of paragraph (1), the  
20                  additional tax attributable to any property is an  
21                  amount which bears the same ratio to the additional  
22                  tax imposed by this chapter for the taxable year  
23                  solely by reason of subsection (a) as the gain taken  
24                  into account under subsection (a) with respect to  
25                  such property bears to the total gain taken into ac-

1 count under subsection (a) with respect to all prop-  
2 erty to which subsection (a) applies.

3 “(3) TERMINATION OF EXTENSION.—The due  
4 date for payment of tax may not be extended under  
5 this subsection later than the due date for the re-  
6 turn of tax imposed by this chapter for the taxable  
7 year which includes the date of death of the expa-  
8 triate (or, if earlier, the time that the security pro-  
9 vided with respect to the property fails to meet the  
10 requirements of paragraph (4), unless the taxpayer  
11 corrects such failure within the time specified by the  
12 Secretary).

13 “(4) SECURITY.—

14 “(A) IN GENERAL.—No election may be  
15 made under paragraph (1) with respect to any  
16 property unless adequate security is provided  
17 with respect to such property.

18 “(B) ADEQUATE SECURITY.—For purposes  
19 of subparagraph (A), security with respect to  
20 any property shall be treated as adequate secu-  
21 rity if—

22 “(i) it is a bond which is furnished to,  
23 and accepted by, the Secretary, which is  
24 conditioned on the payment of tax (and in-



1                   terest thereon), and which meets the re-  
2                   quirements of section 6325, or

3                   “(ii) it is another form of security for  
4                   such payment (including letters of credit)  
5                   that meets such requirements as the Sec-  
6                   retary may prescribe.

7                   “(5) WAIVER OF CERTAIN RIGHTS.—No elec-  
8                   tion may be made under paragraph (1) unless the  
9                   taxpayer makes an irrevocable waiver of any right  
10                  under any treaty of the United States which would  
11                  preclude assessment or collection of any tax imposed  
12                  by reason of this section.

13                  “(6) ELECTIONS.—An election under paragraph  
14                  (1) shall only apply to property described in the elec-  
15                  tion and, once made, is irrevocable.

16                  “(7) INTEREST.—For purposes of section 6601,  
17                  the last date for the payment of tax shall be deter-  
18                  mined without regard to the election under this sub-  
19                  section.

20                  “(c) EXCEPTION FOR CERTAIN PROPERTY.—Sub-  
21                  section (a) shall not apply to—

22                  “(1) any deferred compensation item (as de-  
23                  fined in subsection (d)(4)),

24                  “(2) any specified tax deferred account (as de-  
25                  fined in subsection (e)(2)), and

1           “(3) any interest in a nongrantor trust (as de-  
2       fined in subsection (f)(3)).

3           “(d) TREATMENT OF DEFERRED COMPENSATION  
4 ITEMS.—

5           “(1) WITHHOLDING ON ELIGIBLE DEFERRED  
6 COMPENSATION ITEMS.—

7           “(A) IN GENERAL.—In the case of any eli-  
8       gible deferred compensation item, the payor  
9       shall deduct and withhold from any taxable  
10      payment to a covered expatriate with respect to  
11      such item a tax equal to 30 percent thereof.

12          “(B) TAXABLE PAYMENT.—For purposes  
13      of subparagraph (A), the term ‘taxable pay-  
14      ment’ means with respect to a covered expa-  
15      triate any payment to the extent it would be in-  
16      cludible in the gross income of the covered ex-  
17      patriate if such expatriate were subject to the  
18      tax imposed by this chapter. A deferred com-  
19      pensation item referred to in paragraph (4)(D)  
20      shall be taken into account as a payment under  
21      the preceding sentence when such item would  
22      be so includible.

23          “(2) OTHER DEFERRED COMPENSATION  
24 ITEMS.—In the case of any deferred compensation

1 item which is not an eligible deferred compensation  
2 item—

3 “(A) an amount equal to the present value  
4 of the expatriate’s accrued benefit shall be  
5 treated as having been received by such indi-  
6 vidual on the day before the expatriation date  
7 as a distribution under the plan,

8 “(B) no early distribution tax shall apply  
9 by reason of such treatment, and

10 “(C) appropriate adjustments shall be  
11 made to subsequent distributions from the plan  
12 to reflect such treatment.

13 “(3) ELIGIBLE DEFERRED COMPENSATION  
14 ITEMS.—For purposes of this subsection, the term  
15 ‘eligible deferred compensation item’ means any de-  
16 ferred compensation item with respect to which—

17 “(A) the payor of such item is—

18 “(i) a United States person, or

19 “(ii) a person who is not a United  
20 States person but who elects to be treated  
21 as a United States person for purposes of  
22 paragraph (1) and meets such require-  
23 ments as the Secretary may provide to en-  
24 sure that the payor will meet the require-  
25 ments of paragraph (1), and

1 “(B) the covered expatriate—

2 “(i) notifies the payor of his status as  
3 a covered expatriate, and

4 “(ii) makes an irrevocable waiver of  
5 any right to claim any reduction under any  
6 treaty with the United States in with-  
7 holding on such item.

8 “(4) DEFERRED COMPENSATION ITEM.—For  
9 purposes of this subsection, the term ‘deferred com-  
10 pensation item’ means—

11 “(A) any interest in a plan or arrangement  
12 described in section 219(g)(5),

13 “(B) any interest in a foreign pension plan  
14 or similar retirement arrangement or program,

15 “(C) any item of deferred compensation,  
16 and

17 “(D) any property, or right to property,  
18 which the individual is entitled to receive in  
19 connection with the performance of services to  
20 the extent not previously taken into account  
21 under section 83.

22 “(5) EXCEPTION.—Paragraphs (1) and (2)  
23 shall not apply to any deferred compensation item  
24 which is attributable to services performed outside

1 the United States while the covered expatriate was  
2 not a citizen or resident of the United States.

3 “(6) SPECIAL RULES.—For purposes of this  
4 subsection—

5 “(A) APPLICATION OF WITHHOLDING  
6 RULES.—Rules similar to the rules of sub-  
7 chapter B of chapter 3 shall apply.

8 “(B) COORDINATION WITH OTHER WITH-  
9 HOLDING REQUIREMENTS.—Any item subject to  
10 withholding under paragraph (1) shall not be  
11 subject to withholding under section 1441 or  
12 chapter 24.

13 “(e) TREATMENT OF SPECIFIED TAX DEFERRED AC-  
14 COUNTS.—

15 “(1) ACCOUNT TREATED AS DISTRIBUTED.—In  
16 the case of any interest in a specified tax deferred  
17 account held by a covered expatriate on the day be-  
18 fore the expatriation date—

19 “(A) the covered expatriate shall be treat-  
20 ed as receiving a distribution of his entire inter-  
21 est in such account on such date,

22 “(B) no early distribution tax shall apply  
23 by reason of such treatment, and

1           “(C) appropriate adjustments shall be  
2           made to subsequent distributions from the ac-  
3           count to reflect such treatment.

4           “(2) SPECIFIED TAX DEFERRED ACCOUNT.—  
5           For purposes of paragraph (1), the term ‘specified  
6           tax deferred account’ means an individual retirement  
7           plan (as defined in section 7701(a)(37)) other than  
8           any arrangement described in subsection (k) or (p)  
9           of section 408, a qualified tuition program (as de-  
10          fined in section 529), a Coverdell education savings  
11          account (as defined in section 530), a health savings  
12          account (as defined in section 223), and an Archer  
13          MSA (as defined in section 220).

14          “(f) SPECIAL RULES FOR NONGRANTOR TRUSTS.—  
15          “(1) IN GENERAL.—In the case of a distribu-  
16          tion (directly or indirectly) of any property from a  
17          nongrantor trust to a covered expatriate—

18                 “(A) the trustee shall deduct and withhold  
19                 from such distribution an amount equal to 30  
20                 percent of the taxable portion of the distribu-  
21                 tion, and

22                 “(B) if the fair market value of such prop-  
23                 erty exceeds its adjusted basis in the hands of  
24                 the trust, gain shall be recognized to the trust

1 as if such property were sold to the expatriate  
2 at its fair market value.

3 “(2) TAXABLE PORTION.—For purposes of this  
4 subsection, the term ‘taxable portion’ means, with  
5 respect to any distribution, that portion of the dis-  
6 tribution which would be includible in the gross in-  
7 come of the covered expatriate if such expatriate  
8 were subject to the tax imposed by this chapter.

9 “(3) NONGRANTOR TRUST.—For purposes of  
10 this subsection, the term ‘nongrantor trust’ means  
11 the portion of any trust that the individual is not  
12 considered the owner of under subpart E of part I  
13 of subchapter J. The determination under the pre-  
14 ceding sentence shall be made immediately before  
15 the expatriation date.

16 “(4) SPECIAL RULES RELATING TO WITH-  
17 HOLDING.—For purposes of this subsection—

18 “(A) rules similar to the rules of sub-  
19 section (d)(6) shall apply, and

20 “(B) the covered expatriate shall be treat-  
21 ed as having waived any right to claim any re-  
22 duction under any treaty with the United  
23 States in withholding on any distribution to  
24 which paragraph (1)(A) applies.

1       “(g) DEFINITIONS AND SPECIAL RULES RELATING  
2 TO EXPATRIATION.—For purposes of this section—

3               “(1) COVERED EXPATRIATE.—

4                       “(A) IN GENERAL.—The term ‘covered ex-  
5 patriate’ means an expatriate who meets the re-  
6 quirements of subparagraph (A), (B), or (C) of  
7 section 877(a)(2).

8                       “(B) EXCEPTIONS.—An individual shall  
9 not be treated as meeting the requirements of  
10 subparagraph (A) or (B) of section 877(a)(2)  
11 if—

12                               “(i) the individual—

13                                       “(I) became at birth a citizen of  
14 the United States and a citizen of an-  
15 other country and, as of the expatria-  
16 tion date, continues to be a citizen of,  
17 and is taxed as a resident of, such  
18 other country, and

19                                       “(II) has been a resident of the  
20 United States (as defined in section  
21 7701(b)(1)(A)(ii)) for not more than  
22 10 taxable years during the 15-tax-  
23 able year period ending with the tax-  
24 able year during which the expatria-  
25 tion date occurs, or



1 “(ii)(I) the individual’s relinquishment  
2 of United States citizenship occurs before  
3 such individual attains age 18½, and

4 “(II) the individual has been a resi-  
5 dent of the United States (as so defined)  
6 for not more than 10 taxable years before  
7 the date of relinquishment.

8 “(2) EXPATRIATE.—The term ‘expatriate’  
9 means—

10 “(A) any United States citizen who relin-  
11 quishes his citizenship, and

12 “(B) any long-term resident of the United  
13 States who ceases to be a lawful permanent  
14 resident of the United States (within the mean-  
15 ing of section 7701(b)(6)).

16 “(3) EXPATRIATION DATE.—The term ‘expa-  
17 triation date’ means—

18 “(A) the date an individual relinquishes  
19 United States citizenship, or

20 “(B) in the case of a long-term resident of  
21 the United States, the date on which the indi-  
22 vidual ceases to be a lawful permanent resident  
23 of the United States (within the meaning of  
24 section 7701(b)(6)).

1           “(4) RELINQUISHMENT OF CITIZENSHIP.—A  
2       citizen shall be treated as relinquishing his United  
3       States citizenship on the earliest of—

4           “(A) the date the individual renounces his  
5       United States nationality before a diplomatic or  
6       consular officer of the United States pursuant  
7       to paragraph (5) of section 349(a) of the Immi-  
8       gration and Nationality Act (8 U.S.C.  
9       1481(a)(5)),

10          “(B) the date the individual furnishes to  
11       the United States Department of State a signed  
12       statement of voluntary relinquishment of  
13       United States nationality confirming the per-  
14       formance of an act of expatriation specified in  
15       paragraph (1), (2), (3), or (4) of section 349(a)  
16       of the Immigration and Nationality Act (8  
17       U.S.C. 1481(a)(1)–(4)),

18          “(C) the date the United States Depart-  
19       ment of State issues to the individual a certifi-  
20       cate of loss of nationality, or

21          “(D) the date a court of the United States  
22       cancels a naturalized citizen’s certificate of nat-  
23       uralization.

24       Subparagraph (A) or (B) shall not apply to any indi-  
25       vidual unless the renunciation or voluntary relin-

1        quishment is subsequently approved by the issuance  
2        to the individual of a certificate of loss of nationality  
3        by the United States Department of State.

4            “(5) LONG-TERM RESIDENT.—The term ‘long-  
5        term resident’ has the meaning given to such term  
6        by section 877(e)(2).

7            “(6) EARLY DISTRIBUTION TAX.—The term  
8        ‘early distribution tax’ means any increase in tax im-  
9        posed under section 72(t), 220(e)(4), 223(f)(4),  
10       409A(a)(1)(B), 529(c)(6), or 530(d)(4).

11       “(h) OTHER RULES.—

12           “(1) TERMINATION OF DEFERRALS, ETC.—In  
13       the case of any covered expatriate, notwithstanding  
14       any other provision of this title—

15           “(A) any time period for acquiring prop-  
16       erty which would result in the reduction in the  
17       amount of gain recognized with respect to prop-  
18       erty disposed of by the taxpayer shall terminate  
19       on the day before the expatriation date, and

20           “(B) any extension of time for payment of  
21       tax shall cease to apply on the day before the  
22       expatriation date and the unpaid portion of  
23       such tax shall be due and payable at the time  
24       and in the manner prescribed by the Secretary.

1           “(2) STEP-UP IN BASIS.—Solely for purposes of  
2           determining any tax imposed by reason of subsection  
3           (a), property which was held by an individual on the  
4           date the individual first became a resident of the  
5           United States (within the meaning of section  
6           7701(b)) shall be treated as having a basis on such  
7           date of not less than the fair market value of such  
8           property on such date. The preceding sentence shall  
9           not apply if the individual elects not to have such  
10          sentence apply. Such an election, once made, shall  
11          be irrevocable.

12          “(3) COORDINATION WITH SECTION 684.—If  
13          the expatriation of any individual would result in the  
14          recognition of gain under section 684, this section  
15          shall be applied after the application of section 684.

16          “(i) REGULATIONS.—The Secretary shall prescribe  
17          such regulations as may be necessary or appropriate to  
18          carry out the purposes of this section.”.

19          (b) TAX ON GIFTS AND BEQUESTS RECEIVED BY  
20          UNITED STATES CITIZENS AND RESIDENTS FROM EXPA-  
21          TRIATES.—

22          (1) IN GENERAL.—Subtitle B (relating to estate  
23          and gift taxes) is amended by inserting after chapter  
24          14 the following new chapter:

1       **“CHAPTER 15—GIFTS AND BEQUESTS**  
2                   **FROM EXPATRIATES**

“Sec. 2801. Imposition of tax

3       **“SEC. 2801. IMPOSITION OF TAX.**

4           “(a) IN GENERAL.—If, during any calendar year, any  
5 United States citizen or resident receives any covered gift  
6 or bequest, there is hereby imposed a tax equal to the  
7 product of—

8                   “(1) the highest rate of tax specified in the  
9 table contained in section 2001(c) as in effect on the  
10 date of such receipt (or, if greater, the highest rate  
11 of tax specified in the table applicable under section  
12 2502(a) as in effect on the date), and

13                   “(2) the value of such covered gift or bequest.

14           “(b) TAX TO BE PAID BY RECIPIENT.—The tax im-  
15 posed by subsection (a) on any covered gift or bequest  
16 shall be paid by the person receiving such gift or bequest.

17           “(c) EXCEPTION FOR CERTAIN GIFTS.—Subsection  
18 (a) shall apply only to the extent that the value of covered  
19 gifts and bequests received by any person during the cal-  
20 endar year exceeds \$10,000.

21           “(d) TAX REDUCED BY FOREIGN GIFT OR ESTATE  
22 TAX.—The tax imposed by subsection (a) on any covered  
23 gift or bequest shall be reduced by the amount of any gift

1 or estate tax paid to a foreign country with respect to such  
2 covered gift or bequest.

3 “(e) COVERED GIFT OR BEQUEST.—

4 “(1) IN GENERAL.—For purposes of this chap-  
5 ter, the term ‘covered gift or bequest’ means—

6 “(A) any property acquired by gift directly  
7 or indirectly from an individual who, at the  
8 time of such acquisition, was a covered expa-  
9 triate, and

10 “(B) any property acquired directly or in-  
11 directly by reason of the death of an individual  
12 who was a covered expatriate.

13 “(2) EXCEPTIONS FOR TRANSFERS OTHERWISE  
14 SUBJECT TO ESTATE OR GIFT TAX.—Such term shall  
15 not include—

16 “(A) any property shown on a timely filed  
17 return of tax imposed by chapter 12 which is a  
18 taxable gift by the covered expatriate, and

19 “(B) any property included in the gross es-  
20 tate of the covered expatriate for purposes of  
21 chapter 11 and shown on a timely filed return  
22 of tax imposed by chapter 11 of the estate of  
23 the covered expatriate.

24 “(3) TRANSFERS IN TRUST.—

1           “(A) DOMESTIC TRUSTS.—In the case of a  
2 covered gift or bequest made to a domestic  
3 trust—

4           “(i) subsection (a) shall apply in the  
5 same manner as if such trust were a  
6 United States citizen, and

7           “(ii) the tax imposed by subsection (a)  
8 on such gift or bequest shall be paid by  
9 such trust.

10          “(B) FOREIGN TRUSTS.—

11          “(i) IN GENERAL.—In the case of a  
12 covered gift or bequest made to a foreign  
13 trust, subsection (a) shall apply to any dis-  
14 tribution attributable to such gift or be-  
15 quest from such trust (whether from in-  
16 come or corpus) to a United States citizen  
17 or resident in the same manner as if such  
18 distribution were a covered gift or bequest.

19          “(ii) DEDUCTION FOR TAX PAID BY  
20 RECIPIENT.—There shall be allowed as a  
21 deduction under section 164 the amount of  
22 tax imposed by this section which is paid  
23 or accrued by a United States citizen or  
24 resident by reason of a distribution from a  
25 foreign trust, but only to the extent such

1 tax is imposed on the portion of such dis-  
2 tribution which is included in the gross in-  
3 come of such citizen or resident.

4 “(iii) ELECTION TO BE TREATED AS  
5 DOMESTIC TRUST.—Solely for purposes of  
6 this section, a foreign trust may elect to be  
7 treated as a domestic trust. Such an elec-  
8 tion may be revoked with the consent of  
9 the Secretary.

10 “(f) COVERED EXPATRIATE.—For purposes of this  
11 section, the term ‘covered expatriate’ has the meaning  
12 given to such term by section 877A(g)(1).”.

13 (2) CLERICAL AMENDMENT.—The table of  
14 chapters for subtitle B is amended by inserting after  
15 the item relating to chapter 13 the following new  
16 item:

“CHAPTER 15. GIFTS AND BEQUESTS FROM EXPATRIATES.”.

17 (c) DEFINITION OF TERMINATION OF UNITED  
18 STATES CITIZENSHIP.—

19 (1) IN GENERAL.—Section 7701(a) is amended  
20 by adding at the end the following new paragraph:

21 “(50) TERMINATION OF UNITED STATES CITI-  
22 ZENSHIP.—

23 “(A) IN GENERAL.—An individual shall  
24 not cease to be treated as a United States cit-  
25 izen before the date on which the individual’s



1 citizenship is treated as relinquished under sec-  
2 tion 877A(g)(4).

3 “(B) DUAL CITIZENS.—Under regulations  
4 prescribed by the Secretary, subparagraph (A)  
5 shall not apply to an individual who became at  
6 birth a citizen of the United States and a cit-  
7 izen of another country.”.

8 (2) CONFORMING AMENDMENTS.—

9 (A) Paragraph (1) of section 877(e) is  
10 amended to read as follows:

11 “(1) IN GENERAL.—Any long-term resident of  
12 the United States who ceases to be a lawful perma-  
13 nent resident of the United States (within the mean-  
14 ing of section 7701(b)(6)) shall be treated for pur-  
15 poses of this section and sections 2107, 2501, and  
16 6039G in the same manner as if such resident were  
17 a citizen of the United States who lost United States  
18 citizenship on the date of such cessation or com-  
19 mencement.”.

20 (B) Paragraph (6) of section 7701(b) is  
21 amended by adding at the end the following  
22 flush sentence:

23 “An individual shall cease to be treated as a lawful  
24 permanent resident of the United States if such in-  
25 dividual commences to be treated as a resident of a

1 foreign country under the provisions of a tax treaty  
2 between the United States and the foreign country,  
3 does not waive the benefits of such treaty applicable  
4 to residents of the foreign country, and notifies the  
5 Secretary of the commencement of such treatment.”.

6 (C) Section 7701 is amended by striking  
7 subsection (n) and by redesignating subsections  
8 (o) and (p) as subsections (n) and (o), respec-  
9 tively.

10 (d) INFORMATION RETURNS.—Section 6039G is  
11 amended—

12 (1) by inserting “or 877A” after “section  
13 877(b)” in subsection (a), and

14 (2) by inserting “or 877A” after “section  
15 877(a)” in subsection (d).

16 (e) CLERICAL AMENDMENT.—The table of sections  
17 for subpart A of part II of subchapter N of chapter 1  
18 is amended by inserting after the item relating to section  
19 877 the following new item:

“Sec. 877A. Tax responsibilities of expatriation.”.

20 (f) EFFECTIVE DATE.—

21 (1) IN GENERAL.—Except as provided in this  
22 subsection, the amendments made by this section  
23 shall apply to expatriates (as defined in section  
24 877A(g) of the Internal Revenue Code of 1986, as  
25 added by this section) whose expatriation date (as so

1 defined) is on or after the date of the enactment of  
2 this Act.

3 (2) GIFTS AND BEQUESTS.—Chapter 15 of the  
4 Internal Revenue Code of 1986 (as added by sub-  
5 section (b)) shall apply to covered gifts and bequests  
6 (as defined in section 2801 of such Code, as so  
7 added) received on or after the date of the enact-  
8 ment of this Act, regardless of when the transferor  
9 expatriated.

10 **SEC. 6. REPEAL OF SUSPENSION OF CERTAIN PENALTIES**  
11 **AND INTEREST.**

12 (a) IN GENERAL.—Section 6404 is amended by strik-  
13 ing subsection (g) and by redesignating subsection (h) as  
14 subsection (g).

15 (b) EFFECTIVE DATE.—The amendment made by  
16 subsection (a) shall apply to notices provided by the Sec-  
17 retary of the Treasury, or his delegate, after the date  
18 which is 6 months after the date of the enactment of the  
19 Small Business and Work Opportunity Tax Act of 2007.

20 **SEC. 7. INCREASE IN INFORMATION RETURN PENALTIES.**

21 (a) FAILURE TO FILE CORRECT INFORMATION RE-  
22 TURNS.—

23 (1) IN GENERAL.—Subsections (a)(1),  
24 (b)(1)(A), and (b)(2)(A) of section 6721 are each  
25 amended by striking “\$50” and inserting “\$100”.

1           (2) AGGREGATE ANNUAL LIMITATION.—Sub-  
2       sections (a)(1), (d)(1)(A), and (e)(3)(A) of section  
3       6721 are each amended by striking “\$250,000” and  
4       inserting “\$600,000”.

5       (b) REDUCTION WHERE CORRECTION WITHIN 30  
6       DAYS.—

7           (1) IN GENERAL.—Subparagraph (A) of section  
8       6721(b)(1) is amended by striking “\$15” and insert-  
9       ing “\$25”.

10          (2) AGGREGATE ANNUAL LIMITATION.—Sub-  
11       sections (b)(1)(B) and (d)(1)(B) of section 6721 are  
12       each amended by striking “\$75,000” and inserting  
13       “\$200,000”.

14       (c) REDUCTION WHERE CORRECTION ON OR BEFORE  
15       AUGUST 1.—

16          (1) IN GENERAL.—Subparagraph (A) of section  
17       6721(b)(2) is amended by striking “\$30” and insert-  
18       ing “\$60”.

19          (2) AGGREGATE ANNUAL LIMITATION.—Sub-  
20       sections (b)(2)(B) and (d)(1)(C) of section 6721 are  
21       each amended by striking “\$150,000” and inserting  
22       “\$400,000”.

23       (d) AGGREGATE ANNUAL LIMITATIONS FOR PER-  
24       SONS WITH GROSS RECEIPTS OF NOT MORE THAN

1 \$5,000,000.—Paragraph (1) of section 6721(d) is amend-  
2 ed—

3 (1) by striking “\$100,000” in subparagraph  
4 (A) and inserting “\$250,000”,

5 (2) by striking “\$25,000” in subparagraph (B)  
6 and inserting “\$75,000”, and

7 (3) by striking “\$50,000” in subparagraph (C)  
8 and inserting “\$150,000”.

9 (e) PENALTY IN CASE OF INTENTIONAL DIS-  
10 REGARD.—Paragraph (2) of section 6721(e) is amended  
11 by striking “\$100” and inserting “\$250”.

12 (f) FAILURE TO FURNISH CORRECT PAYEE STATE-  
13 MENTS.—

14 (1) IN GENERAL.—Subsection (a) of section  
15 6722 is amended by striking “\$50” and inserting  
16 “\$100”.

17 (2) AGGREGATE ANNUAL LIMITATION.—Sub-  
18 sections (a) and (c)(2)(A) of section 6722 are each  
19 amended by striking “\$100,000” and inserting  
20 “\$600,000”.

21 (3) PENALTY IN CASE OF INTENTIONAL DIS-  
22 REGARD.—Paragraph (1) of section 6722(c) is  
23 amended by striking “\$100” and inserting “\$250”.

1 (g) FAILURE TO COMPLY WITH OTHER INFORMA-  
2 TION REPORTING REQUIREMENTS.—Section 6723 is  
3 amended—

4 (1) by striking “\$50” and inserting “\$100”,  
5 and

6 (2) by striking “\$100,000” and inserting  
7 “\$600,000”.

8 (h) EFFECTIVE DATE.—The amendments made by  
9 this section shall apply with respect to information returns  
10 required to be filed on or after January 1, 2008.

11 **SEC. 8. TIME FOR PAYMENT OF CORPORATE ESTIMATED**  
12 **TAXES.**

13 Subparagraph (B) of section 401(1) of the Tax In-  
14 crease Prevention and Reconciliation Act of 2005 is  
15 amended by striking “114.50 percent” and inserting  
16 “114.75 percent”.